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SUBJECT: THIS LAND IS YOUR LAND, THIS LAND IS MY LAND:

GREECE AGAIN CONFRONTS NATIONAL LAND REGISTRY PROBLEM

¶11. (U) Summary: A major inhibitor of foreign direct investment in Greece is the lack of a functional national land registry (NLR). To address this problem, the GoG recently submitted a new draft bill that once again attempts to create a working NLR. The political, legal, and economic issues that discourage an efficient real property market are broader than the lack of a functioning NLR. End Summary

Background

¶12. (U) Only two western European countries currently do not have a functional NLR: Greece and Albania. Greece began to formally address this problem as early as 1996 with an initial 5-year plan. However, this initial effort failed due to cost overruns, poor management and bureaucratic maneuvering on the municipal, and prefecture level to maintain control of the lucrative permit issuance process. In 2000, after registering only 280 municipalities and less than one-quarter of Greece's land mass, the initial budget of 138 million euros had expanded to over 500 million euros. Furthermore, the European Commission took back the 100 million euros it had contributed to the registry from its Second Community Support Framework because the GoG had not met the NLR implementation goals it had committed to in order to secure the funding.

Political and Legal Confusion

¶13. (U) The political and legal environment in Greece continues to struggle with its inefficiency and lack of transparency. The NLR issue exposes this struggle on several levels and serves as a reminder that while Greece is home to the oldest democracy in the world, its present day democracy is one of the youngest, since the constitution currently in use was ratified in 1975. This constitution, born in the wake of the military junta (1967-74), takes every opportunity to champion individual rights, but has led to an environment of inefficiency and corruption. Lack of clear Municipal, Prefecture, and State responsibility continue to obfuscate the NLR landscape on issues such as ownership, transference, building permits, and trespassing.

¶14. (U) One concise example of this environment that is illustrative of the larger issues associated with Greece's lack of a functional NLR, is the case of an amcit who purchased 3,200 square meters of land on a Greek island. The amcit purchased the property directly from the island's Department of Land (DOL). After the sale was complete, a nearby church board decided it had a legal claim to the land the DOL had just sold and took the amcit to court. The court in turn, ruled against the amcit and awarded the land to the church board. The amcit then asked the DOL to replace the land it had just sold to him with something of equal value. After 12 years of legal maneuvering, the DOL returned the

amcit's investment, with no interest or compensation for the time that it held the funds or the difficulty it had created.

15. (U) Another aspect of the problem is the practice of individuals and/or small developers using arson as a means to build on GoG designated forest land. Individuals and/or small developers intentionally set fire to forest land, which is protected from development under Greek law, in order to clear the land and then build on it. Small municipalities whose jurisdiction lies on the periphery of these forest lands will often issue building permits and/or simply allow the illegal construction of a home or homes on the site, even though Greek national law requires that all burned forest land be replanted with indigenous trees. The confusion over ultimate legal control of land and permitting continues to be waged between the municipalities, prefectures, the forest service, and the GoG itself, further exposing the inefficiencies and confusion of the land registry/land usage environment.

Economic Obstacles: Tax Structure "...too complicated."

16. (U) The GoG recently introduced a new tax structure for property exchange that adversely affects the overall efforts associated with the NLR initiative. This new tax structure, which has been called "too complicated" by Nicholas Garganas, Governor of the National Bank, is comprised of four different sub-taxes: a VAT tax, an automatic capital gains tax, a property transfer tax, and a transaction levy. These taxes are then subject to taxation on two separate property valuation schedules. The new structure is so complicated that Greek builders have a difficult time calculating the fees associated with new construction; as a result, new building permits are down dramatically since the new

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structure took effect on January 1st, 2006. Furthermore, higher value properties are subject to two additional luxury taxes at still higher rates.

The New National Land Registry Bill

17. (U) In early 2001, the preparation for the 2004 Summer Olympic Games in Greece created an almost single minded focus on Olympic preparation by both the Greek public and private sector. Several important issues were set aside until after the games, the NLR among them.

18. (U) In October of 2005 George Souflis, Minister of Environment, Town Planning and Public Works, announced a new National Land Registry bill. Unlike the 1995 effort, the new bill will not receive any EU funding, but will derive its nearly 1.5 billion euro budget largely from the property owners themselves (1.1 billion euros) as the GoG moves towards a completion goal of 2010. The strategy involves two registration periods: the first will involve a flat fee of 35 euro for preliminary registration, after which the land will be valued by the GoG; the second will assess a fee of 1% of the total land value to the property owners. These fees, coupled with additional charges for associated services, such as duplicate documents and ownership changes, will provide significant steady revenue for the GoG.

19. (U) When the current New Democracy government came to power in March 2004, 22 land registry offices were in operation and the previous effort claimed registry of roughly 1/3 of non-state controlled land. Two years later, the GoG has 80 land registry offices open across the country as they begin again to confront the NLR issue on a national level. It is worth mentioning, however, that many of the new offices at more rural locations do not have adequate computer and database connections for appropriate communications with the nation's capital. While work is ongoing to address this problem, it remains another technical challenge for the

overall NLR effort.

¶10. (U) Comment: In a land use environment that local Greek businesses and international investors alike find confusing at best and maddening at its worst, it is not difficult to see why Greece has had difficulty attracting foreign direct investment (FDI) and keeping its own capital at home. (Note: The Greek private sector is one of the leading investors in the Balkan states.) This problem becomes more acute given the active opposition to reform from local bureaucrats, illegal landowners and small developers who profit from the current system. Increased transparency, improved efficiency and overall ease of use must be established alongside the NLR if the Greek economy is to continue its positive growth trend in the coming years. End Comment.

COUNTRYMAN